

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2058 - SB 2097

February 25, 2018

SUMMARY OF BILL: Establishes a new apportionment formula for taxpayers owning refined liquid petroleum pipelines, for franchise and excise tax (F&E) purposes.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$973,800

Assumptions:

- Pursuant to Tenn. Code Ann. §§ 67-4-2013(a)(4) and 67-4-2113(4), the amount of F&E taxes paid by a business utilizing pipelines is determined using a ratio obtained by taking the arithmetic mean of the following two ratios:
 - (a) The gross receipts from operations on business beginning and ending inside this state without entering or passing through any other state as compared with its entire gross receipts from such operations inside and outside the state; and
 - (b) The ratio of the pipeline miles owned, operated, or owned and operated inside the state to the miles of pipeline owned, operated or owned and operated inside and outside the state;
- This legislation creates a specific apportionment rate for liquid petroleum pipelines, which essentially replaces “(b)” above with the following:
 - The ratio of barrel miles inside the state to the total barrel miles inside and outside the state. For purposes of this ratio, a "barrel mile" means the movement of one (1) barrel of refined petroleum product a distance of one (1) mile.
- The Department of Revenue (DOR) reviewed past tax returns of taxpayers this legislation would impact in order to determine an estimated impact upon F&E tax collections.
- Based on such review, the DOR determined that this legislation would result in a loss in state F&E tax revenue of \$973,800.
- Pursuant to Tenn. Code Ann. § 67-4-2015, F&E taxes are due the fifteenth day of the fourth month following the close of the taxpayer's taxable year.
- Any taxpayer with a combined F&E tax liability that is greater than \$5,000 must pay quarterly estimated payments. The first quarterly payment shall be due on the fifteenth day of the fourth month of the current tax year; the second payment on the fifteenth day of the sixth month; the third payment on the fifteenth day of the ninth month; and the final payment on the fifteenth day of the first month of the next succeeding tax year.

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- This legislation takes effect upon becoming law and will impact returns due on April 15, 2019, and quarterly estimated payments due in FY18-19.
- A recurring decrease in state revenue of \$973,800.
- The Fiscal Review Committee staff does not have access to this confidential tax data and analysis and cannot independently verify their accuracy.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb